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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

July 1951

P R E S S D I G E S T

A Sample of Newspaper Stories and Comment Regarding the
Rural Electrification and Rural Telephone Programs

ELECTRIFICATION

POWER SHORTAGE CAUSES CONCERN

Dispatch from Denver in the
New York Times
June 7, 1951

C. B. McManus, head of the Defense Electric Power Administration, told the 19th Annual Convention of the Edison Electric Institute here that official Washington is concerned about the power shortage in three regions. The Washington and Oregon situation is critical and will be through 1953; the Southeastern region also is a problem. DEPA has recommended 631,000 kw of additional generating capacity for Washington and Oregon. He asserted that "Keeping the power program on schedule should be the greatest concern for all of us over the next few years." In the Southeast new power defense loads planned are greater than in any other region. At the end of 1951, even with power brought in from the North, the situation will be critical. Two years hence the nation's electric power and light industry should have at least 12,000,000 kw of additional generating capacity, McManus declared. The Controlled Materials Plan is so drawn that steel and copper for the future of power generating equipment will be cut 30 percent, Louis Sutton, President of EEI, told members of the industry. If this order stands as drawn, it will jeopardize the adequacy of the nation's power supply next year and thereafter, Sutton added.

**PUBLIC INFORMATION PROGRAM
MEETS THE CHALLENGE**

Article by James W. Parke, President of
Detroit Edison Company in
Public Utilities Fortnightly
June 7, 1951

The electric companies' Public Information Program is combating with an increasing flow of facts the Federal Government's socialistic, tax-free plan to take it over. Our new voice should publicize, emphasize and re-emphasize, among other factors, that government should assist in the few remaining instances where real rural electric demands cannot otherwise be met—that REA has done a good job, but that its job is near completion. For 1951, PIP is concentrating on these targets: Foster elimination from the Federal budget of all those activities which American business is ready, able and willing, to carry on. Make known the electric industry's ability to provide adequate power for all defense as well as civilian needs. Publicize the accomplishment of the industry in bringing electric power to America's farms. Promote the need for a sound congressional power policy.

SOCIALIZED POWER IS BOSS

Editorial in
The News and Courier
Charleston, South Carolina
June 2, 1951

Thursday's hearing before the Public Service Commission on providing electricity for Hilton Head Island, is an example of how socialized power rules the roost in this state. While S. C. Electric & Gas Company, in accordance with law, asked the Public Service Commission for permission to serve Hilton Head, the Palmetto Rural Electric Cooperative started building lines on the Island, without asking permission. Apparently no one considered whether it would be wiser to have a free enterprise company build the lines at no expense to the taxpayers; or have a government-financed company build them at considerable expense to the taxpayers. If SCEG builds the lines, the lines will pay taxes. If the co-op builds, the lines will pay no taxes. Unlike free enterprise power companies, the socialized power companies do not have to get permission from the state to expand. Anytime a free enterprise power company wants to expand in South Carolina, a socialized power company--using taxpayers' money--can beat free enterprise to the punch.

PRIVATE POWER PLANS IN MISSOURI

Article by James M. Stafford, Jr., Dir.
of Advertising and Publicity, Kansas
City Light & Power Company in
Public Utilities Fortnightly
June 7, 1951

Missouri is not a desert geophysically. Neither is it a desert electrically. However, the word "desert" has been employed to describe Missouri's electric power availabilities. Government power promoters have implied that the size of the rural cooperative load in Missouri is so great and the prospects of its growth so bright that they doubt the ability of the electric companies to supply it. What are the facts? In 1940 the total maximum demand of cooperatives in the state served by the 11 companies represented 0.3% of the total system demand of the companies; in 1950 it had grown 5.6%. Conservative projection discloses that the total cooperative demand, assuming twice the 1950 demand, will represent only 7.5% of the total 1955 load. Forty-five Missouri cooperatives purchased power during 1950 from the Missouri companies; the average cost was 0.97¢ per kwh. The average for all REA cooperatives in the country was 0.86¢. In summary, the companies in Missouri have been planning - and are planning now - to meet adequately the State's electric power requirements and that they are both willing and able to supply the entire present and future demands of REA cooperatives at reasonable wholesale rates.

COOPERATIVE DIRECTORS FLY TO WASHINGTON
TO APPEAR BEFORE SENATE COMMITTEE

Nodaway County Tribune
Maryville, Missouri
May 24, 1951

The president and two directors of Nodaway Worth Electric Cooperative appeared before the Interior Subcommittee of the Senate Appropriations Committee regarding the SPA appropriations bill. Lawrence Ruckman, President of the co-op, said in a statement to the subcommittee: "The St. Joseph Power & Light Company has been unable to serve the needs of our cooperative, and the cost of wholesale power has been excessive. As a result, this co-op banded together with other co-ops to form the N. W. Electric Power Cooperative of Cameron, Missouri, which recently received an REA loan to construct a generating plant. This plant and transmission system are now under construction. N. W. offers an abundant supply of power at all times at reasonable rates."

HIGH COURTS UPHOLD CO-OP IN LINE CASE.

UP dispatch from Columbia in
The News and Courier
Charleston, South Carolina
June 13, 1951

The South Carolina Supreme Court today refused to enjoin the Central Electric Cooperative from running its lines across the property of William B. Bookhart. This was another victory for the public power interests in South Carolina in their fight with the private power companies, notably South Carolina Electric & Gas Company. Central will carry power from the state-owned Santee-Cooper Dam to the Tri-County Electric Cooperative which at present buys from SCE&G. The Supreme Court ruled that the co-op is a public operation "with the expressly delegated power of eminent domain." It was observed by the Court that the need for electrical power in rural areas when the REA came into being was "compelling."

REA REPLIES TO QUERY ON CO-OPS' DEFICITS

Richmond (VA.) News Leader
June 12, 1951

(Following publication of our editorial on June 1 noting that 13 of the 15 REA co-ops in Virginia recorded deficits last year, we asked REA for facts on co-ops elsewhere. This was the REA reply.) Less than 5 percent of the REA borrowers reported deficits in 1949 before depreciation. After depreciation, just over one-fourth showed deficits. The others showed net margins after depreciation totaling \$21,000,000. It might be pointed out that co-ops have sufficient cash to meet operating expenses. Depreciation is charged on new construction, although it does not return full revenues. Some part of the standing of Virginia cooperatives is due to their power supply problems. If they had been able to get adequate power at lower cost, their financial position would have been improved. Despite the temporary deficits, our studies show that the Virginia borrowers will pay off their loans over a 35-year period.--Allyn A. Walters

REA BACKS DAMS

Washington dispatch in
Gazette and Bulletin
Williamsport, Pa.
June 5, 1951

The REA yesterday appealed for the Army Board of Engineers for Rivers and Harbors to go ahead with the proposed power dams in north central Pennsylvania. Four representatives of the REA co-op testified that farmers in that sector are in need of cheaper electrical power and that they fully endorse the army plan to establish the hydro-electric project at Keating. The proposal calls for five dams. Among the objections raised was that the Blanchard dam would destroy the community at Howard; coal interests said the power dam would be impractical in a coal producing area, and that the Keating dam would destroy a large coal-producing area which has a 90-year potential. Representative Ivor Fenton vehemently protested the proposed power dam in eastern United States. Representative Alvin R. Bush, former congressman Robert F. Rich, and others, spoke in favor of the flood control project. The West Branch Manufacturers' Association, representing nearly 150 industries said, "We must have relief from floods."

APOSTLE OF CHEAP POWER IS RAISING
ITS RATES TO INDUSTRY ABOUT 15%

Knoxville dispatch in
The Wall Street Journal
June 20, 1951

Reynolds Metals Company, the nation's second largest aluminum maker and TVA's second largest industrial customer, finds a higher price asked for a new contract than under its expiring contract. This same situation will confront many other corporations which count voltage as a raw material cost. TVA officials say the rate hike varies from company to company but is averaging around 15%. This is the first sharp upturn in TVA rates in a long time, and is still not "expensive" power as most rates go. The TVA rate rise had its origin in a record-breaking expansion program which has meant a shift to steam generation of electricity, and the fact that new defense demands for power in the Valley are outstripping even TVA temporarily. According to TVA spokesmen, there's no present plan to boost rates to the system's 1,154,000 residential, commercial and small industrial customers, who buy at retail through independent municipal and REA co-op distributors. There are signs, however, that higher retail rates may be in the cards for the future. TVA's higher rates seem as yet to have caused no letdown in the movement of big industries to the area where low-cost power has been a chief attraction. The projected growth of TVA's sales to industrial and defense projects won't be equalled by growth of residential use, mostly because the residential and farm market has been well tapped. The aluminum industry accounting now for 1/4 of the current output will by 1954 take only 1/8 since the Authority is discouraging further expansion of aluminum making in its territory.

TELEPHONES

COST OF TELEPHONE CAPITAL
ESTIMATED AT 7 3/4%

Public Utilities Fortnightly,
June 7, 1951

Marvin Chandler, of Reis & Chandler, in his testimony in a rate case in Vermont, pointed out that the current over-all cost of capital for New England Telephone and Telegraph Company was estimated at 7.75%. This was based on a capital structure of 35% bonds and 65% common stock. The cost of bond money is 3.56% and common stock money costs an average of 10%.

REA AIDS SMALL COMPANIES

Article by George W. Haggard,
Deputy REA Administrator, in
Telephone Engineer & Management
June 1951

Through the Rural Electrification Administration, the Federal government is doing something to strengthen small business in the communication field. A letter from the Champaign County Illinois Telephone Company, after receiving a loan, illustrates what the program means to small companies: "Since the news was announced, we have had a great number of calls from grateful people. We see no reason why we cannot comply with the requirements in your letter. May I express the appreciation of this company and the citizens of this area of your willingness to assist us."

We have not "socialized" a foot of rural telephone line; we have not driven anybody out of business nor duplicated any facilities; we have not demoralized the rural rate structure with "low, Federally-subsidized rates." On the contrary, the rates we are suggesting are generally higher than customary in rural areas because the facilities we finance will be built to last, and must provide revenues for repair as well as amortization of the government loan. As telephone people came aware that REA had no intention of doing many injurious things predicted, relations have steadily improved.

SMALL COMPANY TALK

Article by Bill Corman in
Telephone Engineer & Management
June 1951

For two years I have been reading about state telephone associations having to go to bat on a state law authorizing telephone co-ops. I wonder why practically every state association has to fight this battle on short notice. The originators of the several state bills have deliberately avoided consultation in those states I know about. Distrust is growing with each state legislative fight. It would be one of the quickest ways to socialize the telephone industry. One major provision the state associations have attacked with more vigor than others, - the provision taking co-ops out from under the jurisdiction of Public Service Commissions. Why is this so important to the bill's proponents? Best reason I have been able to get is that they are co-ops, don't make money, serve only their owners. Not one phrase of this is true. They are a monopoly furnishing telephone service. A telephone company must connect and work with other companies. Can companies do this better under two sets of regulations?

A great many people think these bills are coming out of REA; others think they come out of NRECA. I don't know. Regardless, it is the responsibility of REA to do something about them. If havoc is created in the industry, it will be the telephone companies, the telephone-using public and REA that suffer. Regardless of where the bills originate, REA should work with USITA and the state associations to develop bills that will further the purposes for which the REA Telephone Act was passed.

IS THE TELEPHONE INDUSTRY GOING CO-OP?

Article by D. O. Hood, Pres. of Columbia Utilities Co., Medford, Oregon in Telephone Engineer and Management May 1951

Organization of telephone co-ops and expansion of existing small co-ops are beginning to snowball. It is well known that ambitious public ownership "social climbers" have long viewed telephone service as their next major objective. Until now, the U. S. remains one of the few islands of private enterprise of telephone facilities in a world where government ownership is predominant. How can the private telephone industry forestall this hazard to its existence? First, undertake steps toward cleaning up weakly-financed and managed operating situations. Second, exploit the fact that every company, co-op or not, operating switchboard exchange facilities, is a public utility, and, as such, subject to public regulation. It is feasible for an electric cooperative to serve only its members. Telephone service is statewide, nationwide and worldwide. Under the REA coverage policy, it becomes obvious that even much higher rates than those in effect by existing public utilities, would be necessary. In view of apparent disregard of established territorial boundaries by some REA-financed groups, it seems necessary that connecting Bell and Independent companies should require recognition as a condition to connecting agreements. Unless aggressive steps are taken to protect their traditional private enterprise, they (telephone company officials) may wake up to find themselves engulfed in government ownership or faced with competition with government-owned services.

REA TRIES OUT RADIO TO REPLACE WIRES FOR RURAL TELEPHONE USE

Washington dispatch in the Wall Street Journal
June 21, 1951

REA is testing the use of radio instead of the traditional poles and wire for some links in rural phone systems to learn whether a radio communications setup is cheaper for farm folks that present installations. Government men say that with radio links for rural phones, the homes of subscribers would be interconnected with telephone wire as usual. The wire would lead into a radio station which would receive and transmit signals from a similar radio station near the main telephone exchange. Experience has shown that rural people will not be deprived of the party line, with its opportunity for listening in.

That's why a local tie-up is needed. Party-line calls serve the function of announcing a fire, a wedding, or a sale at the local store. REA men believe a radio link for rural phones would eliminate long stretches of poles and line which are subject to storm and fire damage; eliminate expensive construction across swamp land, and over mountains; would mean service to small island communities. Estimated cost for the radio and terminal equipment and about 10 subscriber lines is around \$3000 though this would vary by areas. This is just "a drop in the bucket," compared to the cost of stringing 15 or 20 miles of line.

MURRAY KILLS TELEPHONE BILL

Oklahoma Rural News
Oklahoma City, Oklahoma
June 1951

Governor Johnston Murray turned his back on the state's telephone-less farmers and vetoed the rural telephone bill. The bill had legislative approval of 95 to 13 in the house and 31 to 5 in the senate. Seventy-six percent of Oklahoma farm homes are without telephones. The governor remarked in his veto message that he feared the rural telephone law would cause commercial companies to curtail their expansion. But he failed to note that rural telephones have shrunk 13 percent for the past 30 years instead of expanding in Oklahoma, and that commercial companies had said they could not and did not want to expand into rural areas. The governor said that the rural telephone bill was the most "socialistic" piece of legislation passed by the Oklahoma legislature in recent years.

TELEPHONE SERVICE IMPROVED
FOR 36 FARM FAMILIES

Ad by the Northwestern Bell Telephone
Co. in Farmers Union Herald
St. Paul, Minnesota
May 7, 1951

The North Star Rural Telephone Company near Pipestone, Minnesota, recently improved and extended its service with the assistance of the Northwestern Bell Telephone Company. The farmers who own the line did the work with Bell engineering assistance. The job involved constructing 16 miles of line using 439 poles and stringing 74 miles of wire. New telephone hand sets leased from Northwestern Bell replace the old hand-crank telephones and make it possible for North Star customers to reach the operator by merely lifting the receiver. Other improvements include reduction of the number on the line, more selective ringing--each hears fewer rings,--and metalicizing or 2-wire construction which eliminates line noise.

TO OTHER FARM LINE OWNERS. We would like to help you put your lines in top shape for the busy months ahead just as we have helped 625 other independent companies in the past year. If you receive switching service from one of our exchanges and would like assistance in improving your service, call our manager. He will be glad to help you.

Northwestern Bell Telephone Company
(A picture shows two North Star representatives and two Bell men looking up at a fine new pole.)

